

Message Text

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FROM THE AMBASSADOR AND USAID DIRECTOR

E.O. 11652: N/A

TAGS: ECON, IN, ID, PK,RP, KS, BT, GR, BL, GT, TZ, ET, CM, EAID

SUBJ: ASSESSMENT OFEFFECTIVENESS OFECONOMIC ASSISTANCE

REFS: A) STATE 306061; B) STATE 306064

PART I OF II PARTS

1. IN CHOOSING PROJECTS FOR ANALYSIS REQUESTED REFTELS WE HAVE ATTEMPTED TO PROVIDE A GOOD MIX BETWEEN FACTORS AND TO THE EXTENT POSSIBLE SKEWED THE SLECTION IN FAVOR OF NEW DIRECTIONS MANDATE. PROJECT SELECTION, ON OTHERHAND, IS WEITHTED IN FAVOR OF AID SPONSORED PROJECTS. THIS IS BECAUSE THE VOLUME OF FOREIGN DONOR PROJECTS IN INDONESIA IS EXTREMELY LARGE AND WE DO NOT HAVE DETAILED INFORMATION AVAILABLE TO US ON SUFFICIENTLY LARGE NUMBER OF THEM TO PERMIT EASY SLECTIONS OF "EFFECTIVE"VS."INEFFECTIVE" PROJECTS AND PROVIDE IN-DEPTH ASSESSMENTS AS REQUESTED REFTELS. WITH COOPERATION OF RESIDENT WORLD BANK MISSION, WE HAVE INCLUDED TWO WORLD BANK PROJECTS IN OUR RESPONSE.

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2. IT SSHOULD BE RECOGNIZED THAT MOST AID ASSISTED NEW DIRECGIONS PROJECTS IN INDONESIA ARE STILL IN EARLY YEARS OF IMPLEMENTATION AND, GIVEN THEIR COMPLEXITY AND INHERENT SLOW START UP, ASSESSMENT OF THEIR EFFECTIVENESS AT THIS TIME IS PREMATURE. AID SUPPORT FOR INDONESIAN FAMILY PLANNING PROGRAM, WHICH PREDATES NEW DIRECTIONS LEGISLATION, IS NOW IN ITS SEVENTH YAR AND IS JUDGED BY MANY OBSERVERS

TO BE ONE OF THE MOST EFFECTIVE FOREIGN ASSISTANCE EFFORTS EVER UNDERTAKEN IN INDONESIA. IF THIS PROJECT HAD BEEN SUBJECTED TO RIGOROUS RESULTS-ORIENTED EVALUATION AFTER ONLY THREE YEARS OF PROJECT LIFE, IT IS UNLIKELY THAT MUCH WOULD HAVE BEEN LEARNED ON HOW TO IMPROVE EFFECTIVENESS OF AID.

3. WE HAVE PREPARED ANALYSIS OF NINE PROJECTS, SIX WHICH WE HAVE CLASSIFIED AS "EFFECTIVE" AND THREE AS "INEFFECTIVE." NO PROJECT, OF COURSE, IS EITHER TOTALLY EFFECTIVE NOR TOTALLY INEFFECTIVE AND WE HAVE ATTEMPTED TO SHOW THE DEGREE OF SUCCESS OR FAILURE IN OUR ANALYSES.

4. SUMMARIES OF THE NINE PROJECTS ARE PROVIDED IN THIS SECTION. DETAILED SUPPORTING DATA REQUESTED REF B ARE CONTAINED IN PART II TO THIS CABLE.

EFFECTIVE PROJECTS

A. AGRICULTURE RESEARCH(497-198)

SUMMARY: THE PROJECT COMMENCED IN 1972 WITH THE PURPOSE OF PROVIDING COMPETENT SCIENTISTS, THROUGH A USAID CONTRACT WITH THE INTERNATIONAL RICE RESEARCH INSTITUTE(IRRI), WHICH WILL SUPPLEMENT THE LIMITED STAFF OF THE CENTRAL RESEARCH INSTITUTE FOR AGRICULTURE(CRIA), TO DEVELOP AND CONTINUE ADAPTIVE RESEARCH ON RICE BREEDING, PEST CONTROL, CULTURAL PRACTICES AND CROPPING SYSTEMS WHICH WILL IMPROVE THE PRODUCTIVITY OF ARABLE LANDS FOR CULTIVATING RICE AND UNCLASSIFIED

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APPROPRIATE FOOD CROPS: STRENGTHEN CRIA BY SUPPORTING TRAINING OF PROFESSIONAL STAFF; AND DISSEMINATE NEW TECHNOLOGY TO AGRICULTURE EDUCATION AND EXTENSION ORGANIZATIONS.

EXCELLENT PROGRESS HAS BEEN MADE IN STRENGTHENING THE RESEARCH PROGRAM AND IMPROVING STAFF QUALIFICATIONS. OVERALL TRAINING TO DATE, WHICH IS ON SCHEDULE, AND FUNDED FROM ALL SOURCES IS AS FOLLOWS: (FIGURES IN PARENTHESES ARE FOR NOVEMBER, 1976).

SPECIALIZED TRAINING

	PHD	MS	RICE PRO-	CROPPING	GEU	OTHERS
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DUCTION SYSTEMS

COMPLETED	10(5)	12(4)	29(12)	48(31)	20(15)	21(21)
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IN PROGRESS	9	12	-	10	-	-
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THE PRIORITY GIVEN THE PROJECT BY THE GOI IS HIGH AS EVIDENCED BY THE STRONG SUPPORT GIVEN THE PROJECT; THE INCREASED BUDGETARY ALLOCATION TO CRIA(RP.596 MILLION IFY 72/73 AT START OF PROJECT, TO RP.2,026 MILLION IFY 77/78); THE VERY POSITIVE ATTITUDE AND APPROACH TO TRAINING AND INCREASING STAFF NUMBERS; THE CREDIBILITY AND PARTICIPATION OF CRIA SCIENTISTS IN INTERNATIONAL RESEARCH; THE GOI REQUEST THAT THE IRRI CONTRACT BE EXTENDED FOR THREE YEARS; AND THE ENTHUSIASTIC EFFORT MADE IN SUCCESSFULLY PREPARING

THE PROJECT PAPER FOR NEW SUMATRA RESEARCH PROJECT, WHICH WAS AUTHORIZED IN FY77. SUCCESS WITH DEVELOPMENT OF CRIA INTO A CAPABLE, WELL STAFFED CENTRAL RESEARCH STATION WAS A PRECONDITION TO PROCEEDING WITH THE MUCH LARGER APPLIED RESEARCH PROGRAM FOR SUMATRA.

B. RURAL WORKS- LOAN 035

SUMMARY: THE RURAL WORKS PROJECT IS A DIRECT RESPONSE TO INCREASED GO I CONCERN AND EFFORT TO IMPROVE THE ECONOMIC AND SOCIAL WELL-BEING OF THE RURAL POOR. THE PROJECT EVOLVED FROM THE SUCCESSFUL FOOD FOR WORK PROGRAM, WHICH WAS LIMITED IN SCOPE TO FOOD DEFICIT AREAS. ALSO RESPONDING TO AID"NEW DIRECTIONS MANDATE" TO ASSIST THE RURAL POOR, RURAL WORKS SUCCESSFULLY SUPPORTS THE GOI PADAT KARYA GAYA BARU(PKGB) PROGRAM PROVIDING A CASH WATE RATHER THAT FOOD FOR LABOR PRO-
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VIDED TO UNDERTAKE LABOR INTENSIVE PROJECTS IN AREAS WHERE UNDE-UNEMPLOYMENT AND RURAL POVERTY ARE MOST SEVERE. THE PROJECT IS DESIGNED TO PROVIDE REMUNERATIVE EMPLOYMENT FOR RURAL UNDEREMPLOYED AND IN THE PROCESS INCREASE THE ECONOMIC POTENTIAL IN THE POOREST AREAS IN INDONESIA THROUGH THE CREATION, REHABILITATION, OPERATION AND MAINTENANCE OF PRO-DUCTIVE RURAL ASSETS. THE FOLLOWING CHART SHOWS MAN-DAYS OF EMPLOYMENT CREATED THROUGH CONSTRUCTION OF RURAL WORKS SUB-PROJECTS AND THE NUMBER OF WORKERS THIS WOULD HAVE EMPLOYED FOR A 90-DAY PERIOD, FOR BOTH THE RUGULAR AND EMERGENCY DROUGHT IN THE PADAT KARYA GAYA BARU(PKGB) PROJECT:

REGULAR PKGB

IFY	TOTAL MAN DAYS	WORKERS EMPLOYED FOR 90-DAY PERIOD	TOTAL WAGES PAID(IN MILLIONS RUPIAH)
1974/75	5,400,000	60,000	873(\$2.1)
1975/76	6,900,000	76,000	1,146(\$2.8)
1976/77	8,500,000	94,400	1,400(\$3.4)
1977/78	12,300,000	136,600	3,347(\$8.1)

EMERGENCY DROUGHT PKGB

1976	19,650,000	218,300	3,065(\$7.4)
1977	5,056,000	56,178	1,380(\$3.3)

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C. POPULATION PROGRAM

OVERVIEW: USAID ASSISTANCE TO THE NATIONAL FAMILY PLANNING COORDINATING BOARD (BKKBN) FROM 1968 TO 1977 HAS TOTALLED \$44 MILLION, INCLUDING AN FY 1977 \$7.3 MILLION LOAN. USAID FUNDS HAVE SUPPORTED THE INDONESIAN FAMILY PLANNING PROGRAM WITH CONTRACEPTIVES, VEHICLES, MEDICAL EQUIPMENT, TRAINING AND LOCAL COST FUNDING FOR RESEARCH AND DEVELOPMENT (R&R) PROJECTS. THE UNIQUE ASPECT OF USAID'S PROJECT ASSISTANCE HAS BEEN THE PROVISION OF FLEXIBLE R&D FUNDS TO SUPPORT IMAGINATIVE AND INNOVATIVE MEANS OF CREATING AN AWARENESS OF AND MAKING FAMILY PLANNING SERVICES AVAILABLE. WITH USAID R&D SUPPORT, THE BKKBN HAS DEVELOPED A VIGOROUS VILLAGE FAMILY PLANNING PROGRAM ACROSS JAVA AND BALI AND TEN PILOT VFP PROJECTS IN THE TEN OUTER ISLAND PROVINCES CURRENTLY IN THE NATIONAL PROGRAM -- THE REMAINING 11 PROVINCES (REPRESENTING 10 PERCENT OF THE POPULATION) WILL JOIN THE PROGRAM IN APRIL, 1979. VFP CONSISTS OF A VILLAGE CONTRACEPTIVE DEPOT AND SUB-VILLAGE FAMILY PLANNING GROUPS. THE OBJECTIVES OF VFP ARE: (1) EXTEND CONTRACEPTIVE SERVICE OUT-REACH TO ATTRACT NEW ACCEPTORS; (2) SUPPORT AND MOTIVATE ONGOING CONTRACEPTIVE USERS; (3) INSTITUTIONALIZE FAMILY PLANNING IN THE VILLAGE BY MAKING THE SMALL FAMILY A COMMUNITY RESPONSIBILITY. THE BKKBN'S FAMILY PLANNING EFFORTS TO DATE HAVE BEEN UNCLASSIFIED

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IMPRESSIVE WITH OVER 10 MILLION NEW ACCEPTORS AND 21 PERCENT OF THE ELIGIBLE COUPLES --ONE IN FIVE --USING FAMILY PLANNING. ON JAVA AND BALI, WHERE TWO-THIRDS OF THE POPULATION LIVE, 27 PERCENT OF THE ELIGIBLE COUPLES ARE USING FAMILY PLANNING. IN TERMS OF EFFECT, THE 1976 INTERCENSAL SURVEY REVEALED THAT THE BIRTH RATE ON JAVA AND BALI HAS FALLEN BY 15 PERCENT AND THE POPULATION GROWTH RATE OF 2 PERCENT IS LOWER THAN EXPECTED. A WORLD BANK ANALYSIS HAS CONCLUDED: "...THE DATE PROVIDED BY THE INTERCENSAL POPULATION SURVEY SHOULD BE CONSIDERED REASONABLY ACCURATE AND THEREFORE THE LOWER RATE OF POPULATION GROWTH AS INDICATED BY THE SURVEY SHOULD BE

TAKEN SERIOUSLY."

D. PUSRI II FERTILIZER PLANT EXPANSION (LOAN 497-H-020)

SUMMARY: THE LOAN OF \$20 MILLION, SIGNED ON 12/31/70 WITH A \$4 MILLION ADDITION SIGNED ON 6/18/73, WAS TO FINANCE GOODS AND SERVICES IMPORTED FROM THE U.S. NECESSARY TO CONSTRUCT AN AMMONIA/UREA FERTILIZER MANUFACTURING FACILITY WHICH INCLUDES A RAW MATERIAL NATURAL GAS GATHERING AND TRANSPORTING SYSTEM, THE MANUFACTURING PLANT IN PALEMBANG AND VARIOUS DISTRIBUTION FACILITIES INCLUDING SATELLITE BAGGING PLANTS IN CILACAP AND SURABAYA. ORIGINAL JUSTIFICATION FOR THE PLANT WAS BASED ON THE PRICE OF IMPORTED UREA OF \$67.50 MT. IN AUGUST, 1974 WHEN THE FINISHED PLANT STARTED UP THE WORLD PRICE WAS OVER \$200 PER MT (ABOUT \$120 PER MT TODAY). A FEW STARTUP PROBLEMS WERE QUICKLY OVERCOME AND FULL PRODUCTION WAS REACHED. RECENTLY THE AMMONIA PLANT HAS BEEN PERFORMING AT 106 PERCENT OF RATED CAPACITY AND THE UREA PLANT AT ABOUT 100 PERCENT, LEAVING A SURPLUS OF ANHYDROUS AMMONIA AVAILABLE FOR SALE TO THE PETROCHEMIE AMMONIUM SULFATE PLANT IN GRESIK. THE WORLD BANK HAS SINCE FINANCED TWO ADDITIONAL EXPANSIONS OF THE PLANT, PUSRI III RATED AT 580,000 MT/Y AND PUSRI IV OF COMPARABLE SIZE. UNCLASSIFIED

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THE PROJECT, ONE OF THE FIRST AID PROJECT LOANS TO INDONESIA AFTER RESUMPTION OF U.S. BILATERAL ASSISTANCE IN THE LATE 1960'S, CAME AT A TIME WHEN INDONESIA'S FOREIGN EXCHANGE RESERVES WERE DANGEROUSLY LOW AND INDUSTRIAL CAPACITY WAS STAGNANT. INDONESIA USED UNDER 200,000 MT OF NITROGEN FERTILIZER, ALL IMPORTED EXCEPT FOR THE SMALL PRODUCTION OF THE PUSRI I PLANT WHICH HAD BEEN BUILT IN THE EARLY 1960'S WITH U.S.EXPORT IMPORT BANK CREDITS. AT THAT TIME ALSO, THE WORLD BANK (IDA) AND ADB WERE JUST BEGINNING THEIR PROGRAMS IN INDONESIA. FOLLOWING COMPLETION OF THE PLANT, THE PUSRI COMPLEX HAD A CAPACITY OF 480,000 MT PER YEAR. DOMESTIC CONSUMPTION IS NOW ABOUT 1 MILLION MT PER YEAR OF UREA (EQUIVALENT TO 460,000 MT OF N). TWO ADDITIONAL EXPANSIONS FINANCED BY THE WORLD BANK BROUGHT THE CAPACITY UP TO 1.4 MILLION MT PER YEAR. IN 1977, INDONESIA EXPORTED 534,000 MT OF UREA TO NEARBY COUNTRIES (PUSRI IS CURRENTLY THE ONLY PRODUCER). DURING CONSTRUCTION, OVER 1600 INDONESIAN WORKERS WERE EMPLOYED BY THE CONTRACTOR. FIFTY ADMINISTRATIVE AND MANAGEMENT PRODUCTION EMPLOYEES WERE TRAINED OVERSEAS (U.S., AUSTRALIA AND JAPAN) AND 150 OTHERS RECEIVED INTENSIVE TRAINING IN INDONESIA. E. AREA DEVELOPMENT PROJECT PLANNING (0238) SUMMARY: GOI REALIZES IT IS TOO CENTRALIZED AND COM- PARTMENTALIZED IN DEVELOPMENT PLANNING AND IMPLEMENTAION. THIS CAUSES RIGIDITY, SLOWNESS, STANDARDIZED PROJECTS AND PROGRAMS NOT ADAPTED TO REGIONAL NEEDS, STRAINS CENTRAL GOVERN-

MENT CAPACITY AND STIFLES INITIATIVE AND PARTICIPATION THROUGHOUT THE COUNTRY. AS ONE METHOD OF DECENTRALIZATION, THE GOI HAS CHOSEN TO DEVELOP THE ABILITY OF PROVINCIAL GOVERNMENTS TO ALLOCATE AND MONITOR A VASTLY INCREASED FLOW OF DEVELOPMENT FINANCE TRANSFERS FROM JAKARTA. THE PLANNING UNITS WERE GIVEN ADEQUATE STAFF AND AUTHORITY BUT REQUIRE CONSIDERABLE INSTITUTIONAL DEVELOPMENT IN THE COLLECTION OF DATA, ANALYSIS, PRIORITY SETTING, BUDGETING, PROJECT SCREENING, AGENCY COORDINATION, INTERNAL STAFF MANAGEMENT AND PROGRAM MONITORING. THE PURPOSE OF THE PROJECT IS TO UNCLASSIFIED

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PROMOTE THIS INSTITUTIONAL DEVELOPMENT BY STARTING WITH ONE OF THE MOST CONCRETE BAPPEDA FUNCTIONS: IMPLEMENTATION PLANNING FOR AREA DEVELOPMENT.

THE MAJOR THRUST OF THIS PROJECT IS INSTITUTIONAL DEVELOPMENT AND ITS PRIMARY SUCCESSES ARE IN THIS AREA. THIS PROJECT INSPIRED THE GOI TO ESTABLISH A JAKARTA STEERING COMMITTEE, WHICH, IN TURN (A) PROVIDED FIRST CENTRAL GOVERNMENT COORDINATION OF PROGRAM TO STRENGTHEN PROVINCIAL GOVERNMENT PLANNING UNITS; (B) REPRESENTED THE FIRST INSTANCE OF OFFICIAL COOPERATION ON PROVINCIAL LEVEL DEVELOPMENT PLANNING BETWEEN INTERIOR MINISTRY, AGRICULTURE, PUBLIC WORKS AND BAPPENAS; AND (C) RESULTED IN THE ADMINISTRATIVE INNOVATION OF PROVINCE LEVEL IMPLEMENTATION PLANNING GUIDED BY AND ACCOUNTABLE TO AN INTER-AGENCY CENTRAL COMMITTEE.

AT THE PROVINCE LEVEL THROUGH THE PROVINCIAL PLANNING UNIT (THE BAPPEDA) THIS PROJECT RESULTED IN (A) THE INTRODUCTION THROUGH GUIDED EXPERIENCE OF VIEWPOINT THAT DATA COLLECTION, ANALYSIS, STAFF ASSIGNMENTS, BUDGETING AND AGENCY RELATIONS ARE NOT INDEPENDENT ACTIVITIES CONTINUED FROM YEAR TO YEAR ACCORDING TO TRADITION OR PERCENTAGE INCREASES BUT DEPEND ON DEVELOPMENT OBJECTIVES WHICH MUST BE CLEAR AND REALISTIC; (B) THE INTRODUCTION OF IMPLEMENTATION PLANNING AS OPPOSED TO AREA/SECTOR DESCRIPTION AND VAGUE RESTATEMENTS OF THE PROBLEMS; AND (C) THE INTRODUCTION OF VIEWPOINT THAT DEVELOPMENT PROBLEMS CAN BE SEEN ON AN INTEGRATED DISTRICT BASIS AS WELL AS A SECTORAL-AGENCY BASIS.

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FROM THE AMBASSADOR AND USAID DIRECTOR

F. WORLD BANK: SECOND URBAN DEVELOPMENT PROJECT
SUMMARY: THE KAMPUNG IMPROVEMENT ACTIVITIES FINANCED
IN THE FIRST AND SECOND WORLD BANK URBAN DEVELOPMENT
PROJECTS (LOANS 1040-IND AND 1336-IND) HAVE PROVEN PARTICULARLY SUCCESSFUL EXPERIENCES AS PROGRAMS TO UPGRADE
SLUMS IN INDONESIA'S TWO MAJOR CITIES, JAKARTA AND SURABAYA.
THE PROGRAMS HAVE BENEFITED MORE THAN 2 MILLION PEOPLE AT A
VERY LOW COST PER CAPITA AND HAVE HAD INDIRECT AND MULTIPLIER
EFFECTS WHICH HAVE BEEN PARTICULARLY NOTEWORTHY. THE PROGRAMS
APPEAR TO BE THE FIRST STAGE OF AN EFFECTIVE LONG
TERM PROGRAM OF ATTACK UPON URBAN POVERTY WITH A LEVEL OF IMPACT
SUFFICIENT TO CATCH UP WITH THE NEED WITHIN A REASONABLE
PERIOD OF TIME.
THE BANK'S ASSISTANCE WAS AIMED AT ACCELERATING THE
NUMBER OF KAMPUNGS IMPROVED EACH YEAR, IMPROVING AND MAKING
MORE EFFECTIVE DESIGN STANDARDS, EXPANDING THE TYPES OF
PHYSICAL IMPROVEMENTS TO COVER SOCIAL AND HEALTH AMENITIES,
AND DEVELOPING A SERIES OF SIMILAR PROJECTS IN OTHER CITIES
IN INDONESIA. THE KIP'S HEALTH AND SANITATION BENEFITS
WERE IMPROVED UNDER THE PROJECT THROUGH THE PROVISION OF
PUBLIC STANDPIPES FOR WATER SUPPLY, COMMUNAL TOILETS, MORE DRAINAGE
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CHANNELS, AND CONSTRUCTION OF ELEMENTARY SCHOOLS AND HEALTH
CLINICS, IN ADDITION TO THE PAVING OF ROADS AND FOOTPATHS.
THE KIP COMPONENT OF THE PROJECT, WHICH WAS COMPLETED
AHEAD OF SCHEDULE AND AT 5 PERCENT BELOW ORIGINAL
ESTIMATES, COVERED ABOUT 2,000 HA AND BENEFITED APPROXIMATELY
900,000 LOW INCOME PEOPLE AT A COST OF ABOUT \$40 PER CAPITA.

INEFFECTIVE PROJECTS

A. NONFORMAL EDUCATION

SUMMARY: THE PURPOSE OF THE PROJECT IS TO DEVELOP WITHIN THE DEPARTMENT OF EDUCATION A STAFF CAPABILITY TO IDENTIFY AND PROMOTE PROGRAMS IN THE AREA OF NONFORMAL EDUCATION.

THE PROJECT IS CURRENTLY TWO-THIRDS COMPLETED. HOWEVER, IN THE RESHAPING AND REDIRECTING OF THE PROJECT TO RESOLVE BASIC DIFFERENCES BETWEEN THE MINISTRY AND THE CONTRACTOR REGARDING A SUITABLE COURSE OF ACTION CERTAIN CHANGES HAVE BEEN REQUIRED. THE IMPACT OF THESE CHANGES CANNOT BE MEASURED WITH CERTAINTY AT THIS TIME AND NOT UNTIL THE PROJECT IS COMPLETED IN EARLY CY 1979 WILL WE BE ABLE TO DETERMINE WHETHER OR NOT THE DECISION TO ABANDON THE ORIGINAL COURSE OF ACTION ADVOCATED BY THE CONTRACTOR AND USAID WILL PAYOFF IN TERMS OF EFFECTIVELY REACHING PROJECT OBJECTIVES. CURRENT INDICATIONS ARE THAT MANY OF THESE OBJECTIVES WILL BE MET BUT WE NOW BELIEVE THEY WOULD HAVE BEEN MET EVEN WITHOUT THE PROJECT SINCE THE GOI IS PROCEEDING ACCORDING TO ITS OWN INITIATIVE WITH LITTLE APPARENT NEED FOR CONTRACTOR OR USAID ASSISTANCE.

B. JAKARTA INTERIM ELECTRICAL GENERATION (LOANS 497-H-0303 AND 033)

SUMMARY: THE PROJECTS WERE TO INSTALL A TOTAL OF FOUR UNCLASSIFIED

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GAS TURBINE GENERATORS TO SUPPLY A TOTAL OF ABOUT 100 MW OF ELECTRICAL POWER GENERATION CAPACITY FOR THE JAKARTA AREA. ALL MATERIAL AND INSTALLATION WAS SUPPLIED BY THE U.S. CONTRACTOR, WESTINGHOUSE. THE PURPOSE IN INSTALLING THESE GENERATORS WAS TO ASSURE THE CITY OF JAKARTA ADEQUATE ELECTRIC POWER PENDING COMPLETION OF LARGER, MORE ECONOMICAL GENERATORS. GAS TURBINES WERE SELECTED BECAUSE OF THEIR EXPECTED EARLY AVAILABILITY. COMPLETION WAS SCHEDULED FOR MAY, 1974.

THE SPECIFIC OBJECTIVES WERE TO PROVIDE RELIABLE ELECTRIC POWER GENERATION FOR JAKARTA FROM THE PERIOD OF MAY, 1974 UNTIL BASE LOAD GENERATION WOULD BE AVAILABLE IN 1976-78. THE GENERATORS UNDER THIS PROJECT WERE NOT AVAILABLE UNTIL LATE 1976 (FOR TWO) AND 1977. IN THE MEANTIME, ADDITIONAL HYDRO CAPACITY WAS INSTALLED NEAR JAKARTA (JATILUHUR) AND OTHER GAS TURBO-GENERATOR CAPACITY WAS COMPLETED. THE LARGE STEAM PLANT WILL BE AVAILABLE SOON. THE SPECIFIC OBJECTIVES WERE MISSED, ALTHOUGH THE UNITS WILL BE USEFUL FOR PEAKING POWER FOR SOME YEARS.

C. WORLD BANK FIRST IRRIGATION REHABILITATION PROJECT (127-IND)

SUMMARY: THE FIRST BANK-ASSISTED DEVELOPMENT PROJECT IN INDONESIA WAS CREDIT 127-IND FOR U.S. \$5.0 MILLION. THE PROJECT WAS DESIGNED TO REHABILITATE DETERIORATED IRRIGATION SYSTEMS IN JAVA AND TO ASSIST IN COMPLETING THE CONSTRUCTION OF A FOURTH SYSTEM FOR A RESETTLEMENT AREA IN SOUTH SUMATRA.

THE JAVA PROJECTS WERE GIVEN THE HIGHEST PRIORITY OF THE MANY IRRIGATION SYSTEMS IN INDONESIA WHICH HAD RECEIVED PRACTICALLY NO MAINTENANCE SINCE THE ADVENT OF WORLD WAR II. ABOUT THE ONLY SUCCESS OF THE WORLD BANK'S FIRST IRRIGATION REHABILITATION PROJECT IN INDONESIA HAS BEEN INSTITUTION BUILDING. PROSIDA DEVELOPED FROM A SMALL OFFSHOOT OF DGWRD DEALING WITH THE U.S. \$8.8 MILLION PROJECT TO AN ORGANIZATION PRESENTLY IN CHARGE OF PLANNING AND EXECUTING BANK ASSISTED IRRIGATION REHABILITATION AND CONSTRUCTION WORKS HAVING A TOTAL ESTIMATED COST OF ALMOST U.S. \$450 MILLION. CREDIT 127-IND PROVIDED SIGNIFICANT ENGINEERING EXPERIENCE AND INITIATED MOMENTUM FOR GOVERNMENT AND PROVINCIAL-LEVEL UNCLASSIFIED

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COMMITMENT TO UNDERTAKE REHABILITATION OF IRRIGATION SYSTEMS. THE PROJECT CONTRIBUTED TO PRODUCING A CORE OF TRAINED PERSONNEL CAPABLE OF ADMINISTERING PROJECT EXECUTION AND O&M ACTIVITIES. SUBSEQUENT LOANS SHOULD INCLUDE OPPORTUNITIES TO STRENGTHEN ITS CAPABILITIES IN PROJECT PREPARATION.

THE MAJOR FAILURE IS THAT THE COMPLETED PROJECTS DO NOT BRING WATER RIGHT TO THE FARMERS--BUT THIS WAS NOT A SPECIFIC OBJECTIVE OF THE PROJECT IN THE FIRST PLACE. THE BANK OFFICIALS ASSUMED THAT THE TERTIARY CANALS WOULD BE BUILT BY THE FARMERS THEMSELVE. THIS DID NOT OCCUR. THE MAJOR LESSON LEARNED FROM THIS PROJECT: REHABILITATION AND CONSTRUCTION OF IRRIGATION PROJECTS MUST INCORPORATE ALL PHASES OF DEVELOPMENT FROM THE SUPPLY OF IRRIGATION WATER TO THE PROVISION OF DRAINAGE, ACCESS, INPUTS AND ALL AGRI-CULTURAL SUPPORT SERVICES IF BENEFITS ARE TO ACCRUE IN A SATISFACTORY MANNER TO ALL PROJECT BENECICIARIES. ALTHOUGH NOT ALL ASPECTS WERE FORESEEN AT APPRAISAL, CONTINUOUS CHANGES AND ADDITIONS DURING PROJECT IMPLEMENTATION HAVE GENERALLY ACHIEVED THE REQUIRED RESULTS AS IS APPARENT FROM PRESENT YIELDS, TOTAL PRODUCTION OF FOOD CROPS AND THE INTERNAL RATE OF RETURN OF THE PROJECT.

5. MISSION HAS NOW ACCUMULATED FOUR YEARS OF EXPERIENCE IN NEW DIRECTIONS PROGRAM AND WE BELIEVE WASHINGTON ANALYSTS MAY FIND SOME OF OUR GENERAL PERCEPTIONS REGARDING NEW DIRECTIONS PROJECTS USEFUL IN DEVISING WAYS TO IMPROVE EFFECTIVENESS OF U.S. BILATERAL AID PROGRAM.

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FROM THE AMBASSADOR AND USAID DIRECTOR

A. REALISTIC OBJECTIVES: NEW DIRECTIONS PROJECTS
ADDRESS SOME OF THE DEVELOPING WORLD'S MOST INTRACTABLE
SOCIAL, ECONOMIC AND ADMINISTRATIVE DEVELOPMENT PROBLEMS.
THERE ARE NO READYMADE SOLUTIONS TO THESE PROBLEMS. THE
HOPE SHOULD BE THAT BY WORKING WITH HOST COUNTRY GOVERNMENTS
IN MANDATE AREAS OVER A PROTRACTED PERIOD, MEANINGFUL EX-
PERIENCE WILL BE OBTAINED BY ALL CONCERNED THAT CAN BE
GENERALIZED.

IT SHOULD BE RECOGNIZED THAT MODEST ENDEAVORS IN AND OF
THEMSELVES SELDOM CHANGE BASIC HOST COUNTRY PRIORITIES OR
WAYS OF DOING THINGS. APPROACHES PLANNED IN AID PROJECTS
SHOULD BE VIEWED AS EXPERIMENTAL OR FIRST PHASE IN NATURE.
THE RISKS (AND PAYOFFS) ARE HIGH AND NO ASSURANCE CAN BE
GIVEN THAT ALL SUCH EXPERIMENTS WILL BE CARRIED OUT, OR IF
CARRIED OUT, THAT THEY WILL BE SUCCESSFUL, OR IF SUCCESSFUL
IN PARTICULAR CASES, THAT THEY WILL BE ADOPTED MORE WIDELY.
WE BELIEVE IT IMPORTANT TO WORK ON PILOT PROJECT BASIS AT
LOWER LEVELS OF ADMINISTRATION WHILE AT SAME TIME HELPING
STRENGTHEN HOST COUNTRY CAPACITY TO PLAN AND FORMULATE NEW
POLICIES AIMED AT HELPING STRENGTHEN ITS CAPACITY TO STIMULATE
PROGRESS IN THE RURAL AREAS. TO BE EFFECTIVE, OF COURSE,
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THIS MUST INVOLVE LONG TERM COMMITMENT TO ASSISTANCE. IF
U.S. IS WILLING AND ABLE TO BE INVOLVED FOR LONG TERM, THEN
THERE IS GOOD CHANCE OF MAKING SIGNIFICANT CONTRIBUTIONS
IN MANDATE AREAS. OTHERWISE, WORKING IN THESE AREAS IS LIKELY
TO PROVE DISAPPOINTING. IF THERE IS A WILLINGNESS TO STICK
TO IT, IN ALL PROBABILITY, OVER TIME, USAID PROGRAM WILL
TEND TO COALESCE AROUND MORE PROMISING AND POSSIBLY STRATEGIC
ACTIVITIES. EVIDENCE OF POTENTIAL IMPACT OF THIS SUSTAINED

U.S. ASSISTANCE EFFORT IS FOUND IN ACCOMPLISHMENTS OVER PAST SEVEN YEARS OF FAMILY PLANNING PROGRAMS IN INDONESIA.

B. PLANNING VS. IMPLEMENTATION: AID HAS DEVELOPED HIGHLY SOPHISTICATED SYSTEM FOR PROJECT PLANNING WHICH IS BEING USED FOR NEW DIRECTIONS PROJECTS NOTWITHSTANDING FACT THAT RIGIDITIES OF THIS SYSTEM DO NOT MESH WELL WITH CAPABILITIES OF HOST COUNTRY INSTITUTIONS TO PRODUCE OR COPE WITH HIGHLY ELABORATE AND TECHNICALLY SOPHISTICATED ANALYSES. AS RESULT, TOO MUCH OF AID'S PROJECT PLANNING IS DONE BY AID PERSONNEL AND IT BECOME OBSOLETE SHORTLY AFTER IT IS FINISHED.

TOO MUCH TIME IS SPENT EXPLAINING PROJECTS AND NOT ENOUGH ON EXECUTION. IN THIS SAME VEIN, THERE NEEDS TO BE A GREATER RECOGNITION IN WASHINGTON THAT USAID'S IN MOST DEVELOPING COUNTRIES DO NOT EXERCISE TOTAL INFLUENCE OVER COURSE OF DEVELOPMENT EVENTS IN WHICH THEY INVOLVED, INCLUDING PROJECT PAPER PREPARATION AND FINAL PROJECT IMPLEMENTATION. AID'S PROJECT APPROVAL PROCESS TENDS TO LOCK PROJECTS INTO THE SYSTEM AT AN EARLY STAGE IN THEIR DEVELOPMENT. GREATER RECOGNITION NEEDS TO BE GIVEN TO FACT THAT SOME PROJECTS MAY FALL OUT OF PROGRAM DUE TO FACTORS IN DEVELOPING COUNTRY BEYOND USAID'S CONTROL (E.G., UNFORESEEN HOST COUNTRY PERSONNEL CHANGES OR ADMINISTRATIVE BOTTLENECKS OR UNEXPECTED OFFERS OF ASSISTANCE BY OTHER DONORS) WHILE OTHER PROJECTS MAY PROVE TECHNICALLY UNFEASIBLE. DEVELOP-
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MENT OF ONLY THOSE PROJECTS APPROVED FOR INCLUSION IN THE CONGRESSIONAL PRESENTATION, FOR EXAMPLE, WILL MEAN A LOSS IN PROGRAM FLEXIBILITY THAT IS ESSENTIAL TO GOOD PLANNING, ESPECIALLY IN SITUATION WHERE MANY KEY VARIABLES ARE NOT UNDER AID'S CONTROL.

C. LIMITATIONS ON OPERATING EXPENSES AND DIRECT HIRE STAFF: WE BELIEVE ADEQUATE STAFFING IS ESSENTIAL TO SUCCESS OF NEW DIRECTIONS PROJECTS. NEW DIRECTIONS PROJECTS BY THEIR VERY NATURE ARE SCATTERED, FRAGMENTED, AND DIFFICULT TO MONITOR. SOME PROGRAMS HAVE SUBPROJECT ACTIVITIES SPREAD WIDELY OVER THE COUNTRY. PLANNING AND FOLLOWING SUCH PROJECTS SATISFACTORILY DOES REQUIRE ADEQUATE STAFFING. FOR MANY OLD STYLE PROJECTS STAFF WAS SUPPLIED MORE FULLY BY PRIVATE ENGINEERING FIRMS AND U.S. CONSTRUCTION CONTRACTORS. WHILE PRIVATE CONTRACTORS ARE BEING DRAWN UPON FOR NEW PROJECTS AS WELL, THE KIND OF WORK INVOLVED OFTEN MEANS MORE RESPONSIBILITY FOR USAID'S OWN STAFF. FURTHER, IT IS INHERENT IN IDEA OF REACHING RURAL POOR THAT THERE MUST BE SOME SCATTERATION AND THAT SUBPROJECTS BE OF RELATIVELY MODEST SIZE. THUS, THERE IS NO ALTERNATIVE TO A WIDELY BASED PROGRAM. NEW DIRECTIONS TYPE PROJECTS ARE TECHNICAL ASSISTANCE INTENSIVE COMPARED TO CAPITAL PROJECTS AND REQUIRE LARGER STAFFS PER DOLLAR--NOT LESS.

6. IN ADDITION INFORMATION SUPPLIED THIS MESSAGE WE REFER
YOU TO SEVERAL PAR AND PES REVIEWS ON AID PROJECTS SUBMITTED
TO AID/WASHINGTON OVER PAST TWO YEARS:

POPULATION:

MCH-POP-FP MANPOWER DEVELOPMENT (0188.2) PAR 6/14/76

FAMILY PLANING ASSISTANCE SERCVICES (0188) PAR 11/8/76

POPULATION FAMILY PLANNING RESEARCH

AND DVELOPMENT (0188.3) PAR 3/1/77

FAMILY PLANNING ASSISTANCE SERVICES PES 11/30/77

OTHER:

RURAL WORKS (T-035) MAJOR 11/1/76

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AGRICULTURE RESEARCH (0198) PAR 11/18/76

PES 12/6/77

AREA DEVELOPMENT PROJECT PLANNING (0238) PAR 11/8/76

PES 12/13/77

NONFORMAL EDUCATION PAR 5/23/77

7. RE PARA 4 D AND E, REFTEL B, WE HAVE ADDRESSED SUBJECT
OF DONOR COORDINATION ON PROJECT LEVEL IN THE PROJECT ANALYSES.
ON A MACRO BASIS, ECONOMIC ASSISTANCE TO INDONESIA IS COORDI-
NATED THROUGH THE INTER-GOVERNMENTAL GROUP ON INDONESIA
(IGGI) WHICH IS COMPOSED OF INDONESIA, FOURTEEN OTHER MEMBER
COUNTRIES, THE WORLD BANK, THE IMF AND THE ADB. IGGI MEETS
ANNUALLY TO REVIEW INDONESIA'S DEVELOPMENT PERFORMANCE AND
IN PROCESS, EXERCISES INFLUENCE ON INDONESIAN PUBLIC RESOURCE
ALLOCATION. SPECIFIC CASE OCCURRED IN 1976 WHEN DONOR
COMMUNITY REACTED NEGATIVELY TO PLAN DEVOTE MOST AVAILABLE
GOI RESOURCES TO COMPLETION OF MAJOR PROJECTS, MANY OF WHICH
WERE IN CAPITAL INTENSIVE INDUSTRIAL SECTOR AND TO DEFER
EXPENDITURES IN OTHER SECTORS, NOTABLY THOSE CONCERNED WITH
DIRECTO IMPROVEMENTS IN LIEF OF POOR MOJORITY. AT IGGI
MEETING GOI ANNOUNCED TO SATISFACTION OF DONOR REPRE-
SENTATIVES THAT SOCIAL SECTOS WOULD NOT BE DOWNGRADED IN
PRIORITY IN FAVOR OF MAJOR CAPITAL PROJECTS. IN ADDITION
TO IGGI, WORLD BANK HAS CHAIRED MEETINS OVER PAST SIX
MONTHS TO DISCUSS PROGRAM PROPOSALS FOR AREAS WITH SUBSTANTIAL
FOREIGN DONOR INVOLVEMENT. COORDINATION ON PROJECT LEVEL
IS CARRIED OUT ON INFORMAL BASIS BY PROJECT OFFICERS. WHILE
THERE IS NO DOUBT ROOM FOR IMPROVEMENT, WE CONCLUDE DONOR
COORDINATION IS ADEQUATE AT THE PROJECT AND AT THE NATIONAL
LEVEL THROUGH THE IGGI. THE LATTER ARRANGMENT IS PROBABLY
ONE OF THE MOR EFFECTIVE INSTRUMENTS FOR MULTI-DONOR
COORDINATION OF ECONOMIC DEVELOPMENT EFFORTS.

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